

## Message Text

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ACTION EUR-12

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AGRE-00 OMB-01 SS-15 STR-07 PA-01 ITC-01 DOE-15  
SOE-02 OES-07 /146 W  
-----100998 300817Z /12

R 291953Z JUN 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 4088  
INFO ALL OECD CAPITALS  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 03 PARIS 20793

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USEEC

E.O. 11652: GDS  
TAGS: OECD, ECON, EFIN  
SUBJECT: OECD'S 1978 MINISTERIAL MEETING: ONE STAGE  
IN A PROCESS

REF: (A) PARIS 19214, (B) PARIS 19211, (C) PARIS 19396

### 1. SUMMARY AND INTRODUCTION

THIS MESSAGE RELATES THE RESULTS--PREVIOUSLY REPORTED  
IN REFTELS--OF THE OECD MINISTERIAL MEETING TO (A) THE  
ACTIVITIES THAT HAVE TAKEN PLACE SINCE THE 1977  
MINISTERIAL MEETING, (B) PREPARATIONS FOR THE FORTH-  
COMING BONN SUMMIT, AND (C) SETTING THE STAGE FOR  
POST-SUMMIT FOLLOW-THROUGH AND ASSOCIATION OF NON-  
SUMMIT OECD MEMBER-COUNTRIES WITH SUMMIT DECISIONS.

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THE 1978 MINISTERIAL DEALT WITH ALL OF THE FIVE TOPICS  
THAT WILL BE TAKEN UP BY THE SUMMIT, NAMELY, ECONOMIC  
GROWTH, TRADE AND PROTECTIONISM, ENERGY, MONETARY  
ISSUES, AND DC/LDC COOPERATION. THE CONCLUSIONS OF  
THE MINISTERIAL HAVE BEEN A LOGICAL CULMINATION OF  
EFFORTS OVER THE PAST 12 MONTHS OF POLICY-MAKERS FROM  
CAPITALS AND THE SECRETARIAT, WORKING SEPARATELY AND

TOGETHER, TO DEVELOP A MORE REALISTIC MULTILATERAL FRAMEWORK FOR ACHIEVEMENT OF BETTER ECONOMIC PERFORMANCE THAN THE FORMULA PRODUCED AT THE MINISTERIAL LAST YEAR. IN PARTICULAR, MINISTERS REACHED A REMARKABLE DEGREE OF CONSENSUS ON THE ECONOMIC SITUATION AND AGREED ON THE CONCEPT OF A CONCERTED ACTION PROGRAM WHICH TIES TOGETHER INTO A LOGICAL AND POLITICALLY OPERATIONAL WEB, POLICY ACTIONS ON THE FIRST FOUR OF THE ABOVE-MENTIONED SUMMIT TOPICS--THUS FORMING THE OUTLINES OF A PACKAGE FOR AGREEMENT AMONG THE INDUSTRIALIZED COUNTRIES. FURTHERMORE, THE CURRENT THINKING AND INTENTIONS OF THE INDUSTRIALIZED COUNTRIES AS REGARDS THE FIFTH TOPIC, NAMELY, DC/LDC RELATIONSHIPS AND DEVELOPMENT COOPERATION HAVE BEEN CLARIFIED AND EXPRESSED. WHILE A NOTABLE DEGREE OF AGREEMENT WAS ACHIEVED HERE BOTH ON GENERAL LINES OF THE CONCEPT AND THE RESPONSIBILITIES OF INDIVIDUAL COUNTRIES FOR CARRYING IT OUT, IT WAS NOT INTENDED THAT SPECIFIC COMMITMENTS TO NATIONAL POLICY ACTIONS WOULD BE MADE AT THE MINISTERIAL THIS YEAR. SUCH COMMITMENTS ARE NOW MATTERS FOR THE SUMMIT AND, IF AGREED THERE, FOR FOLLOW-UP BY THE OECD OF ALL COMPONENTS OF THE CONCERTED ACTION PROGRAM IN THE APPROPRIATE OECD GROUPS.

## 2. GROWTH POLICY

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THE CENTERPIECE OF THE CONCERTED ACTION APPROACH APPROVED BY THE 1978 MINISTERIAL IS THE ALLOCATION OF DIFFERENTIATED COUNTRY RESPONSIBILITIES IN AN EFFORT TO REACH FASTER GROWTH, GREATER PRICE STABILITY AND A BETTER INTERNATIONAL PAYMENTS PATTERN OVER THE NEXT 18 MONTHS. THIS FORMULATION REPRESENTS THE CULMINATION OF WORK THAT HAS GONE FORWARD IN THE OECD, IN OTHER GROUPS, AND THROUGH BILATERAL CONSULTATIONS OVER THE PAST 12 MONTHS TO DEVELOP A PROGRAM WHICH TAKES ADEQUATE ACCOUNT OF THE POLITICAL AND ECONOMIC CONSTRAINTS ON POLICY ACTION IN OECD COUNTRIES, AS WELL AS TO RECOGNIZE THE CHANGES THAT HAVE TAKEN PLACE IN INDIVIDUAL COUNTRY SITUATIONS. THE NEW CONCEPT OF THE 1978 MINISTERIAL DIFFERS FROM THE 1977 MINISTERIAL IN THAT IT IS AT ONCE LESS FOCUSED ON THE ACHIEVEMENT OF A PARTICULAR GROWTH RATE AND MORE THOROUGHLY BASED ON AN ANALYSIS OF THE INTERNATIONAL ECONOMIC LINKAGES AND ON RECOGNIZING POLITICAL MANEUVERING ROOM REQUIRED BY PARLIAMENTARY AND PUBLIC OPINION. THIS FORMULATION WITH ITS EMPHASIS ON COLLABORATIVE AND WIDELY SPREAD, ALTHOUGH DIFFERENTIATED ACTION, IS MORE COMPATIBLE WITH POLITICAL REALITIES IN GERMANY AND JAPAN THAN THE

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SOE-02 OES-07 /146 W

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R 291953Z JUN 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 4089  
INFO ALL OECD CAPITALS  
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C O N F I D E N T I A L SECTION 02 OF 03 PARIS 20793

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GROWTH POLICY APPROACH OF THE 1976 AND 1977 OECD  
MINISTERIALS, WHICH THE GERMANS AND THE JAPANESE ACCEPTED  
WITH OBVIOUS RELUCTANCE AND DID NOT FULFILL. THE  
HANDLING OF THE U.S. AS A COUNTRY WHICH WAS NOT EXPECTED  
TO EMPHASIZE GROWTH, BUT RATHER TO PAY ATTENTION TO  
INFLATION AND REDUCED OIL IMPORTS, WAS HELPFUL IN  
ROUNDING OUT THE BALANCE AMONG THE DIFFERENTIAL RESPONSIBILITIES  
ASSIGNED TO VARIOUS COUNTRIES WHICH CAN  
PROVIDE A SUBSTANTIVE BASIS FOR POLITICAL AGREEMENT AT  
THE SUMMIT.

### 3. TRADE, PROTECTIONISM AND THE OPEN ECONOMIC SYSTEM

ANOTHER SATISFYING ASPECT OF THE 1978 MINISTERIAL WAS  
ITS REDEDICATION TO THE OPEN MARKET TRADING AND ECONOMIC  
SYSTEM WHICH TOOK THE FORM NOT ONLY OF THE RENEWAL OF  
THE TRADE PLEDGE (FOR THE FOURTH TIME), BUT, VERY  
IMPORTANTLY, APPROVAL OF THE "ORIENTATIONS" ON ADJUSTMENT  
AND GOVERNMENT INTERVENTION POLICIES. THESE CALL  
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FOR A POSITIVE APPROACH OF ALLOWING THE MARKET SYSTEM TO OPERATE TO THE MAXIMUM DEGREE AND ESCHEWING VARIOUS NEO-PROTECTIONIST MEASURES WHICH ARE NOW BEING MANIFESTED IN DOMESTIC POLICIES DESIGNED TO SHORE UP ECONOMIC SECTORS AND TO MAINTAIN EXISTING EMPLOYMENT PATTERNS. IN A VERY REAL SENSE, THIS PART OF THE OECD MINISTERIAL'S CONCLUSIONS WAS AN INDISPENSABLE PART OF THE PACKAGE REQUIRED BY THE GERMANS TO GO ALONG WITH THE CONCERTED GROWTH STRATEGY. THE OECD WAS REQUESTED TO DO MORE ANALYTICAL WORK ON POSITIVE ADJUSTMENT POLICIES.

#### 4. ENERGY

IN ENERGY, THE OECD MINISTERS ESSENTIALLY REAFFIRMED THE APPROACH TO ENERGY PRICING AND CONSERVATION THAT HAD BEEN ENDORSED BY THE MINISTERIAL MEETING OF THE INTERNATIONAL ENERGY AGENCY LAST FALL, AS WELL AS THE WILLINGNESS OF THE DEVELOPED COUNTRIES TO COOPERATE WITH THE LDC'S IN RESOLVING ENERGY PROBLEMS. THE MINISTERS RECOGNIZED THAT IN THE OVERALL CONTEXT OF SENSIBLE INTERNATIONAL COOPERATION ON ENERGY, THE UNITED STATES, N GVBENMFTS WEIGHT AS BOTH A CONSUMER AND PRODUCER OF ENERGY, HAS A SPECIAL RESPONSIBILITY TO ADOPT A COMPREHENSIVE ENERGY PROGRAM.

ENERGY WAS ALSO IDENTIFIED AS AN IMPORTANT INVESTMENT OPPORTUNITY AREA WHICH DID NOT DEPEND ON GOVERNMENTS' ABILITY TO PICK "WINNERS AND LOSERS" (SEE PARAGRAPH 6).

#### 5. MONETARY COOPERATION

AS WAS THE U.S. PREFERENCE, OECD MINISTERS DID NOT DEVOTE MUCH TIME TO MONETARY QUESTIONS. THEY DID, HOWEVER, CONFIDENTIAL

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UNDERScore BOTH THAT A CONCERTED ACTION ON GROWTH WOULD HELP TO REDUCE PAYMENTS IMBALANCES AND THEREBY CONTRIBUTE TO GREATER STABILITY IN FOREIGN EXCHANGE MARKETS AND THAT ACHIEVING THE LATTER WOULD IN TURN HELP TO IMPROVE CONFIDENCE AND BUILD THE CONDITIONS TO ACHIEVE SUSTAINED ECONOMIC GROWTH. THE MONETARY LANGUAGE OF THE COMMUNIQUE THUS REINFORCED ATTENTION TO "THE FUNDAMENTALS."

#### 6. DC/LDC RELATIONSHIPS

THE 1978 MINISTERIAL MEETING GAVE MINISTERS AN

OPPORTUNITY TO REFLECT ON THE STATE OF THE DC/LDC  
RELATIONSHIP AT A YEAR'S DISTANCE FROM THE TERMINATION  
OF CIEC (WHICH THE 1977 MINISTERIAL HAD ADDRESSED ONLY  
BY WAY OF A FIRST ASSESSMENT) AND IN THE LIGHT OF THE  
EXPERIENCE OF THE RECENT FIRST MEETING OF THE UN'S  
COMMITTEE OF THE WHOLE. THE MINISTERS ESSENTIALLY  
CALLED ATTENTION TO FOUR ASPECTS OF WORLD INTERDEPENDENCE  
AND DEVELOPMENT COOPERATION, NAMELY: (A) THE NEED FOR

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-----102465 300817Z /12

R 291953Z JUN 78  
FM AMEMBASSY PARIS  
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C O N F I D E N T I A L SECTION 03 OF 03 PARIS 20793

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COLLABORATIVE EFFORTS TO HELP ENSURE BASIC NEEDS OF THE  
WORLD'S POOR; (B) THE RESPONSIBILITIES OF DONOR COUNTRIES  
FOR INCREASING AID TRANSFERS AND FOR MAKING OFFICIAL  
ASSISTANCE MORE EFFECTIVE; (C) THE DESIRABILITY OF  
ENCOURAGING CONSTRUCTIVE STRUCTURAL CHANGE, AND, THAT IN  
THIS CONTEXT, LDC'S WITH STRONGER ECONOMIES HAD  
RESPONSIBILITY PROGRESSIVELY TO ADAPT THEIR TRADE AND  
ECONOMIC POLICIES TO THEIR LEVEL OF DEVELOPMENT AND  
FINANCIAL STRENGTH, AND, (D) THE UTILITY OF STUDYING  
THE POSSIBLE ADVANTAGE TO BOTH DEVELOPED AND DEVELOPING  
COUNTRIES OF THE FEASIBILITY OF INCREASING INVESTMENT  
FLOWS IN AREAS OF ACTUAL OR POTENTIAL SUPPLY SHORTAGES,  
SUCH AS ENERGY, FOOD, AND RAW MATERIALS.

7. THE RESULT: ONE STAGE IN A PROCESS

THE 1978 MINISTERIAL HAS, WE BELIEVE, MADE A SUBSTANTIAL CONTRIBUTION TO CRYSTALIZING THE VIEWS OF OECD COUNTRIES ON THE FRAMEWORK AND CONCEPT OF THE WAY TO GO TO IMPROVE  
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INDIVIDUAL AND COLLECTIVE ECONOMIC PERFORMANCE. A FURTHER DEGREE OF PERCEPTION, RECOGNITION AND ACCEPTANCE OF THE LIMITATIONS OF INDEPENDENT NATIONAL POLICY MAKING HAS BEEN BROUGHT ABOUT. THIS ADVANCE IN AWARENESS OF THE INTERNATIONAL CONSTRAINT ON DOMESTIC POLICY HAS BEEN WIDENED ESPECIALLY IN MACRO-ECONOMIC POLICY AND STRUCTURAL ADJUSTMENT. THE MINISTERS FOUND THE REQUIRED NARROW BALANCE FOR BOTH THE U.S. AND THE EUROPEANS TO GO FURTHER THAN THE EPC AND YET NOT PREEMPT THE BREMEN OR THE BONN SUMMITS. THE OBJECTIVES AND TASKS COMING OUT OF THIS MINISTERIAL MEETING ARE THEREFORE LESS AMBITIOUS, AT LEAST IN QUANTITATIVE TERMS, THAN THOSE ENVISIONED AT THE 1977 MINISTERIAL, BUT THEY ARE MORE CLOSELY STUDIED, MORE REALISTIC POLITICALLY, AND REPRESENT A MORE WILLING CONSENSUS ON THE PART OF THE PARTICIPANTS THAN SEEMS TO HAVE BEEN THE CASE LAST YEAR. THIS PROCESS HAS CONTRIBUTED SUBSTANTIALLY TO PROVING THE INGREDIENTS ON WHICH DISCUSSIONS AND COMMITMENTS AT THE BONN SUMMIT COULD BE BASED. FURTHERMORE, THE CONCERTED ACTION APPROACH APPROVED BY THE OECD MINISTERIAL SUGGESTS THE MAKINGS OF A POSSIBLE PACKAGE INVOLVING MUTUALLY BENEFICIAL TRADE-OFFS. AS SECRETARY BLUMENTHAL SAID "WE ALL KNOW (NOW) WHAT SHOULD BE DONE". IN ESSENCE, ACTION ON GROWTH IS RELATED TO GREATER DEDICATION TO AN OPEN TRADING AND ECONOMIC SYSTEM, THERE IS STRESS ON ANTI-INFLATINARY ACTION AND ENERGY ACTION, PARTICULARLY IN THE UNITED STATES, AND ALL THIS IS RECOGNIZED AS BEING USEFUL FOR GREATER INTERNATIONAL MONETARY STABILITY. THE MINISTERS ALSO RECOGNIZED THE NEED TO INCREASE INVESTMENT, PARTICULARLY IN ENERGY, IN REELATION TO ALL ASPECTS OF THE CONCERTED ACTION PROGRAM. AT THE SAME TIME, THE OVERALL APPROACH FOR MORE MATURE COOPERATION WITH THE LESS DEVELOPED COUNTRIES HAS BEEN OUTLINED. IN  
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SUM, WE BELIEVE THAT OVER THE PAST YEAR THE WORK OF HIGH LEVEL POLICY OFFICIALS FROM CAPITALS AND CREATIVE CONTRIBUTIONS FROM THE SECRETARIAT HAVE PRODUCED A SIGNIFICANT ADVANCE IN UNDERSTANDING AMONG THE OECD

MEMBER COUNTRIES ON THE DIAGNOSIS AND THE PRESCRIPTION  
FOR THE CURRENT ECONOMIC MALAISE. THIS CONSENSUS AMONG  
THE OVERALL OECD MEMBERSHIP PRIOR TO THE SUMMIT SHOULD  
ALSO BE HELPFUL IN SUBSEQUENTLY OBTAINING THE COOPERATION  
OF THE NON-SUMMIT AND NON-EC INDUSTRIALIZED COUNTRIES IN  
IMPLEMENTING AND COOPERATING WITH SUCH DECISION AS MAY  
BE REACHED AT THE SUMMIT, INCLUDING WORKING THROUGH THE  
APPROPRIATE OECD GROUPS. SALZMAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MINISTERIAL MEETINGS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978PARIS20793  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** DG ALTERED  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780298-0677, D780270-0326  
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**Image Path:**  
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**Litigation History:**  
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**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2392283  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OECD\S 1978 MINISTERIAL MEETING: ONE STAGE IN A PROCESS  
**TAGS:** ECON, EFIN, OECD  
**To:** STATE USEEC  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/4dbb568b-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014